

United States House of Representatives
Committee on Transportation and Infrastructure
Room 2165 Rayburn House Office Building
Washington, D.C. 20515
April 15, 2008

McCain's Gas Tax Proposal Will Cost Much, Do Little

Dear Colleague,

Earlier today, Senator McCain proposed to suspend the 18.3-cent Federal gas tax from Memorial Day to Labor Day. This shortsighted proposal would have a significant negative impact on the nation's surface transportation programs, and would undermine our economic competitiveness and quality of life.

The 18.3-cent gas tax rate was established in 1993. At that time, the average retail price of a gallon of gasoline was \$1.05. Although the Federal gas tax has not changed in the last 15 years, the average price of a gallon of gasoline has tripled to \$3.39.

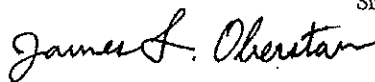
Senator McCain's proposal would cut Highway Trust Fund revenues, which finance Federal highway, highway safety, and transit infrastructure investments, by almost \$3 billion per month. The McCain plan would:

- **Eliminate approximately 300,000 family-wage, highway construction-related jobs.** According to the Bureau of Labor Statistics, 1.2 million construction workers are currently out of work and the construction unemployment rate is 12 percent – the highest of any industrial sector. In the last year, the economy has lost more than 300,000 construction jobs. The McCain plan will eliminate another 300,000 family-wage, construction-related jobs.
- **Bring the Highway Trust Fund to the edge of insolvency.** Suspending the Federal gas tax would create an estimated \$12 billion shortfall in the Highway Trust Fund by the end of fiscal year 2009.
- **Cut critical highway safety funding** at a time when more than 42,000 people die and an additional 2.6 million people are injured on our highways each year at an estimated annual cost of more than \$230 billion.
- **Exacerbate the enormous cost of congestion on our highways today.** According to the Texas Transportation Institute, the annual cost of congestion is \$78 billion, including 4.2 billion hours of travel delay that resulted in an additional 2.9 billion gallons of fuel being used while Americans were stuck in traffic. On average, each urban motorist wastes 38 hours, 26 gallons of gas, and \$710 stuck in traffic.
- **Do little for consumers.** The McCain plan would not require that oil companies reduce the price of gasoline, making it likely that the oil companies, whose profits totaled \$155 billion in 2007, would simply pocket the difference. For instance, when Illinois and Indiana suspended their motor fuel sales tax in 2001, research shows that the impact on consumers was minimal and State infrastructure investments were shortchanged millions of dollars.

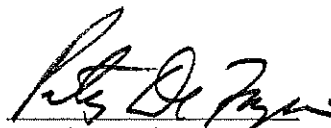
To demonstrate the potential impact such a cut would have on individual states, the enclosed chart shows the estimated state-by-state investment reductions and job losses. The chart was produced by the American Road and Transportation Builders Association using preliminary data. We have asked the Department of Transportation (DOT) to provide us with official estimates of the impact of the McCain plan and we will send that information to you as soon as DOT completes its analysis.

The nation is significantly underinvesting in our surface transportation network. This underinvestment has led to increased congestion and air pollution, diminished roadway safety, and threatens our economic competitiveness and quality of life. Senator McCain's proposal would exacerbate this underinvestment, and would simply continue to allow oil companies to line their pockets with windfall profits. The challenges to our nation's surface transportation network require serious, thoughtful solutions, not political sound bites.

Sincerely,



James L. Oberstar, M.C.
Chairman



Peter A. DeFazio, M.C.
Chairman
Subcommittee on Highways and
Transit



**American Jobs Placed at Risk by a Suspension of the Federal Motor Fuel Excises
from Memorial Day to Labor Day**

State	Federal Highway Funds Lost	Highway-Related Job Loss
ALABAMA	\$143,238,419	4,982
ALASKA	\$61,897,629	2,153
ARIZONA	\$141,557,414	4,923
ARKANSAS	\$89,687,329	3,119
CALIFORNIA	\$684,406,924	23,107
COLORADO	\$96,360,407	3,351
CONNECTICUT	\$98,398,058	3,422
DELAWARE	\$28,171,657	980
DISTRICT OF COLUMBIA	\$28,808,088	1,002
FLORIDA	\$361,406,927	12,569
GEORGIA	\$261,015,486	9,078
HAWAII	\$30,324,115	1,055
IDAHO	\$52,741,411	1,834
ILLINOIS	\$245,092,604	8,524
INDIANA	\$183,722,596	6,390
IOWA	\$82,515,837	2,870
KANSAS	\$72,772,462	2,531
KENTUCKY	\$123,668,802	4,298
LOUISIANA	\$116,324,718	4,011
MAINE	\$31,996,510	1,113
MARYLAND	\$116,603,091	4,021
MASSACHUSETTS	\$123,643,983	4,300
MICHIGAN	\$208,380,885	7,247
MINNESOTA	\$113,239,150	3,938
MISSISSIPPI	\$84,865,211	2,952
MISSOURI	\$167,337,975	5,820
MONTANA	\$67,499,327	2,348
NEBRASKA	\$53,063,602	1,845
NEVADA	\$51,688,736	1,794
NEW HAMPSHIRE	\$32,634,817	1,135
NEW JERSEY	\$190,835,827	6,637
NEW MEXICO	\$66,376,983	2,309
NEW YORK	\$333,693,716	11,602
NORTH CAROLINA	\$203,319,748	7,071
NORTH DAKOTA	\$44,451,687	1,546
OHIO	\$265,921,209	8,901
OKLAHOMA	\$110,455,105	3,842
OREGON	\$82,823,587	2,881
PENNSYLVANIA	\$330,462,939	11,493
RHODE ISLAND	\$37,114,861	1,291
SOUTH CAROLINA	\$117,001,532	4,069
SOUTH DAKOTA	\$46,659,690	1,623
TENNESSEE	\$154,841,270	5,385
TEXAS	\$587,447,955	20,431
UTAH	\$51,367,630	1,787
VERMONT	\$29,901,442	1,040
VIRGINIA	\$188,006,877	6,539
WASHINGTON	\$126,671,536	4,371
WEST VIRGINIA	\$77,380,593	2,691
WISCONSIN	\$137,280,141	4,774
WYOMING	\$46,223,520	1,608
HIGHWAY SUBTOTAL	\$7,148,000,000	248,600
MASS TRANSIT NATIONWIDE	\$1,787,000,000	62,150
TOTAL	\$8,935,000,000	310,750
Note: state distribution is based on FY 2008 distribution of formula funds.		
Job loss would be spread over 3-4 years.		